REVIEW OF 2006

In 2006[1], passenger demand growth on U.S. airlines was weak, following two strong years in 2004 and 2005. System revenue passenger miles (RPMs) and enplanements grew 2.1 and 0.4 percent, respectively. Commercial air carrier domestic enplanements fell 0.2 percent while international enplanements grew 6.0 percent and surpassed 70 million for the first time. The system-wide load factor increased to an all-time high of 79.0 percent and coupled with a 7.5 percent increase in yield resulted in an industry wide operating profit for the first time since 2000.

Regional and low-cost carriers[2] grew while their network carrier[3] counterparts shrank. In 2006 the domestic enplanement market share for the regional and low-cost carriers increased 2.7 points to 47.7 percent, up from a 30 percent share in 2000. Increased competition is prompting network carriers to continue to cut costs and prices in markets served by low-cost carriers. This is good news for the flying public.

In spite of increasing competition, the network carriers are beginning to see a turnaround in their finances. United Airlines emerged from Chapter 11 bankruptcy protection after more than three years and both Delta and Northwest are on track to emerge from bankruptcy protection in 2007. After reporting a $10.3 billion net loss in 2005, network carriers reported a $3.2 billion net loss in 2006. However, network carriers reported a $1.0 billion operating profit in 2006, the first since 2000, despite the fact that fuel prices increased more than 30 percent. Higher fuel prices cost the industry some $8.9 billion last year alone. Higher fuel prices are also impacting low-cost and regional carriers as well, as carriers have deferred deliveries of new aircraft and trimmed growth plans in order to sustain profitability. Cargo carriers, on the other hand, reported net profits of $1.6 billion.

The market for general aviation products and services climbed for the third consecutive year. General aviation aircraft shipments and billings in 2006 were up 10.1 and 19.6 percent respectively compared to 2005. The surge in shipments and billings was stimulated by growth in the U.S. and world economy. Despite the increase in shipments and in billings, general aviation activity fell in 2006 as high fuel prices took their toll.

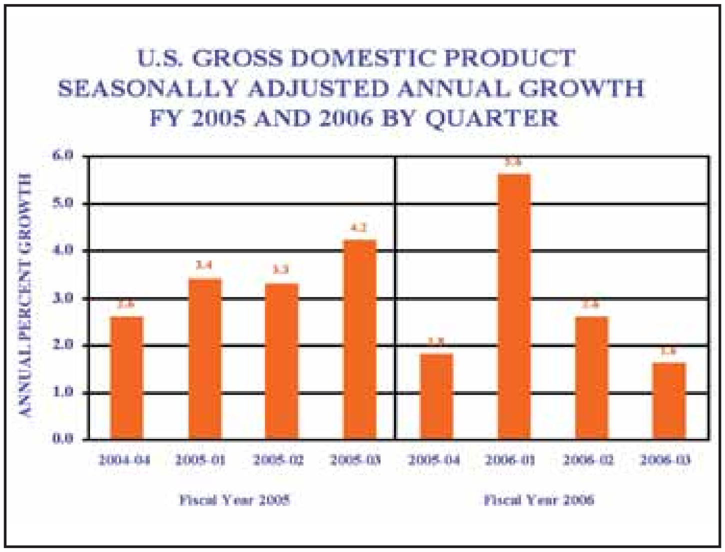
1 *All stated years and quarters for U.S. economic and U.S. air carrier traffic and financial data and forecasts are on a fiscal year (FY) basis (October 1 through September 30). All stated years and quarters for international economic and world traffic and financial data are on a calendar year (CY) basis, unless otherwise stated.*

2 *American Trans Air, America West Airlines, AirTran Airways, Frontier Airlines, JetBlue Airways, Southwest Airlines, and Spirit Airlines*

3 *Alaska Airlines, American Airlines, Continental Airlines, Delta Air Lines, Northwest Airlines, United Airlines, and US Airways.*

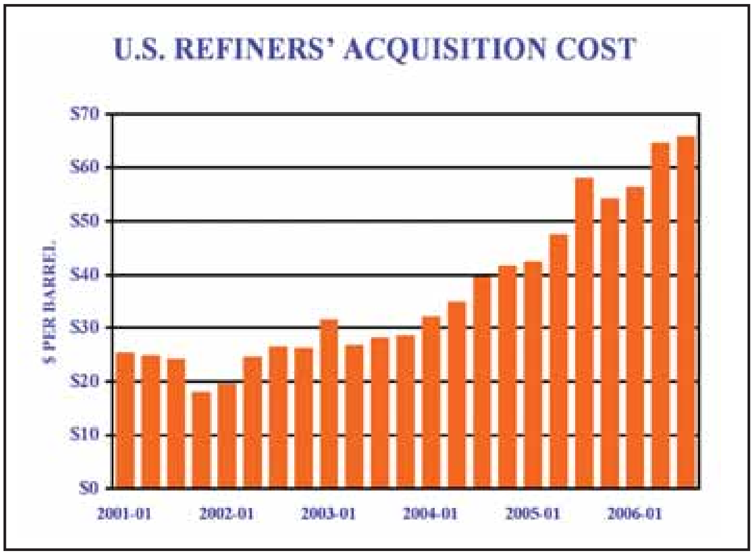
U.S. Economic Activity

The U.S. Gross Domestic Product (GDP) enjoyed solid growth in fiscal years 2005 and 2006 growing by 3.3 percent each year. In fiscal year 2005, seasonally adjusted quarterly growth ranged between 2.6 percent (1Q) to 4.2 percent (4Q); in fiscal 2006, growth fluctuated considerably from 1.8 percent rising to 5.6 percent in the second and falling again to 1.6 percent in the last quarter.



According to the consumer price index (CPI), prices rose 3.3 percent in fiscal year 2005, a full percentage point above a year earlier. Price increases jumped even more in fiscal year 2006 with the CPI rising 3.7 percent. Large oil price increases played an important role in the rise of overall prices.

Oil prices, as measured by the U.S. Refiners' Acquisition Cost, rose by 27.3 percent in fiscal year 2006. This rise follows a 40.3 percent increase in fiscal year 2005. Higher prices were spurred by strong global demand for oil and concerns about potential supply disruptions.



World Economic Activity

As the world's largest economy, the U.S continues to have a prominent role in world economic growth. In 2005 and 2006 though, U.S. GDP growth lagged that of the rest of the world. U.S. and world economic growth reached 3.2 and 3.5 percent, respectively, in calendar year 2005; growth rose slightly to 3.3 percent here at home while worldwide GDP growth jumped to 3.9 percent in calendar year 2006. The rise in GDP growth in the remainder of the world was driven by the growth in Latin American and Asian markets.

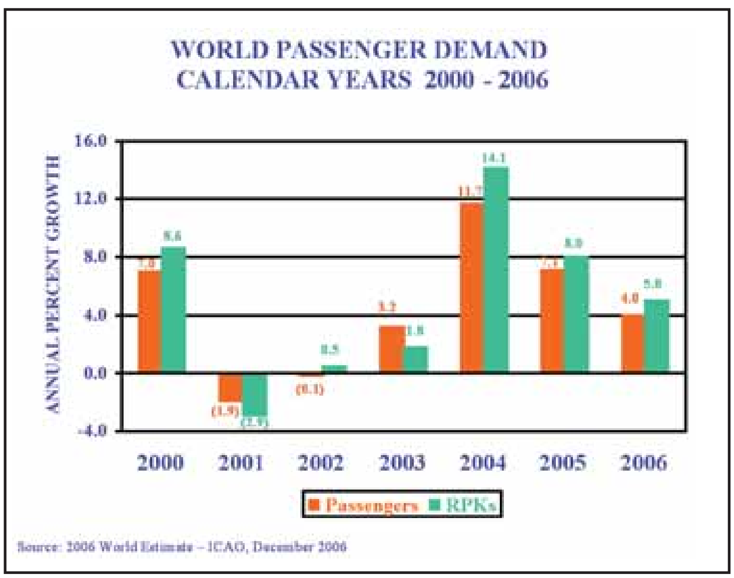
On a calendar year basis, Canadian GDP growth lagged the U.S. in 2005 and 2006 with growth of 2.9 percent each year. The combined economies of the Asian and Far East nations grew by 5.0 percent in 2006 up from 4.7 percent a year earlier. This region includes the world's second largest economy, Japan (up 2.7 percent), and the world's most vibrant economy, China (up 10.6 percent). The combined economies of the Europe/Middle East/Africa nations rose by 3.1 percent in 2006, as rapid growth of Eastern Europe, up 6.2 percent offset the slower growth in Eurozone[4] countries of 2.5 percent. GDP in Latin America and Mexico grew by 4.5 percent and 5.0 percent in 2005 and 2006, respectively.

Commercial Aviation

Commercial aviation was a study in contrasts in 2006. While high jet fuel prices plagued all carriers the impacts to the bottom line were very different in the U.S. compared to the rest of the world. U.S. airlines raised fares, cut capacity in domestic markets and increased their international flying. World airlines were not as affected by the high fuel prices as a relatively strong world economy limited the impact on the demand for aviation services and allowed carriers to pass on increased fuel costs to the traveling public through higher fares without dampening demand. In the U.S., despite the higher fares and capacity cutbacks, on a net basis, the industry lost money for a sixth consecutive year. Outside of the U.S., the story was different as world airlines made an estimated $3.2 billion.[5]

World Travel Demand

Based on data compiled by the International Civil Aviation Organization (ICAO), world air carriers transported 2.2 billion passengers (up 7 percent) a total of 3.7 trillion revenue passenger kilometers (RPKs) (up 8.0 percent) in calendar year 2005. Although worldwide traffic results are not available for full year 2006, signs are the demand for world aviation services continued to grow in 2006. In December 2006, ICAO estimated that worldwide RPKs increased 5 percent and passengers increased about 4 percent in 2006.[6]



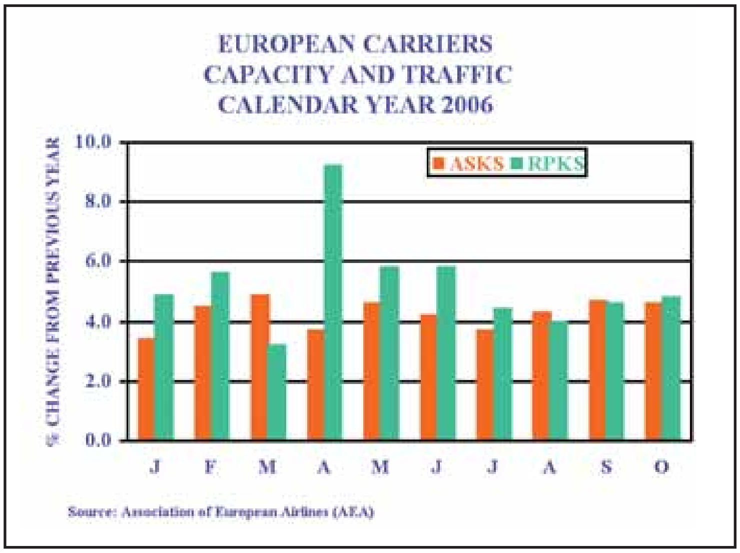
Source: 2006 World Estimate – ICAO, December 2006

4 *Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain.*

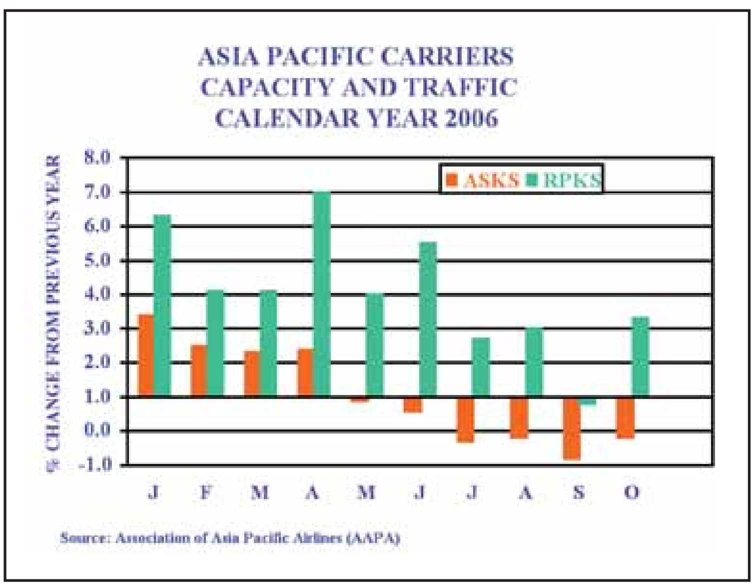
5 *IATA Financial Forecast, December 2006.*

6 *ICAO News Release, December 21, 2006.*

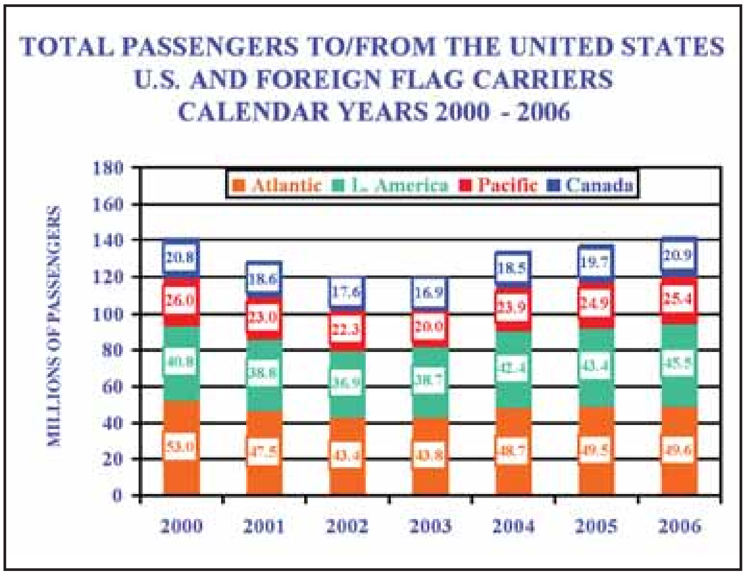
Statistics from the Association of European Airlines (AEA) show that passengers and RPKs increased 4.5 percent and 5.2 percent, respectively, during the first ten months of 2006. Capacity, as measured by available seat kilometers (ASKs), was up 4.3 percent. With double-digit growth, AEA carrier traffic was strongest in the South Atlantic (13.0 percent) and Far East/Australasia regions (12.1 percent). The North Atlantic region posted weak results with only 0.6 percent growth in traffic.



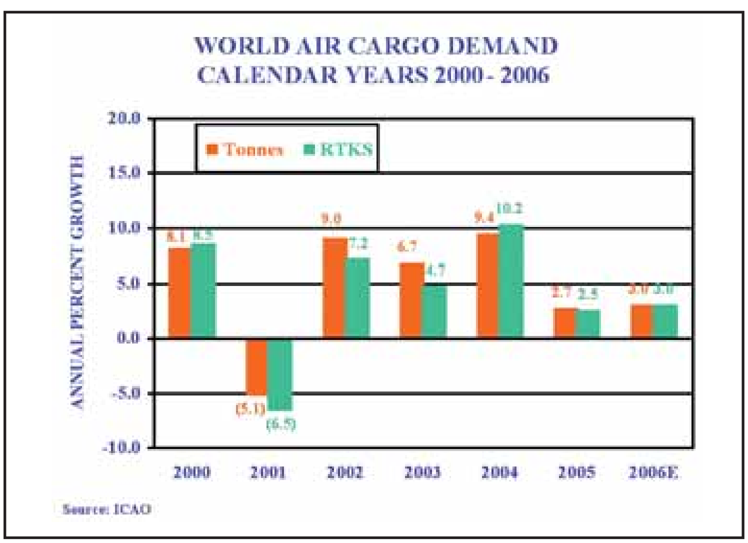
The Association of Asia Pacific Airlines (AAPA) reported increases of 3.6 percent in RPKs and 0.9 percent in ASKs for the first ten months of 2006. Passengers increased 3.9 percent during the same period.



In calendar year 2006, it is estimated that U.S. and foreign flag carriers combined transported 141.5 million passengers between the United States and the rest of the world, an increase of 2.9 percent over 2005. Growth occurred in all four world travel regions, with Canadian transborder markets growing the fastest, up 5.9 percent, followed by Latin America (up 5.0 percent), Asia/Pacific (up 2.0 percent), and Atlantic markets (up 0.3 percent). Transborder passengers returned to pre-9/11 levels during 2006 (Latin America returned in 2005). Pacific and Atlantic passengers have yet to return to pre-911 levels.

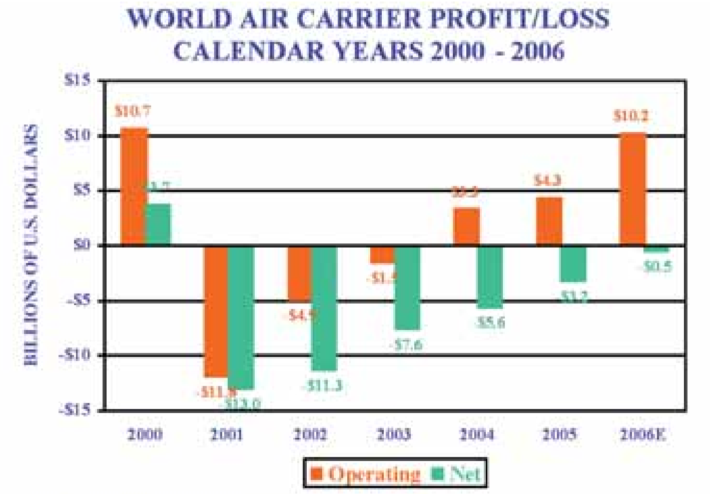


Worldwide air cargo demand slowed considerably in 2005 despite strong global economic activity, with freight tonnes and freight ton kilometers (FTKs) up 2.7 and 2.5 percent, respectively. Cargo demand growth in 2006 appears to be similar to that in 2005. For the first ten months of 2006, IATA reported that member carrier cargo traffic was up 4.9 percent. AEA and AAPA statistics show that their member carriers' FTKs were up 2.7 and 6.4 percent, respectively, during the January to October 2006 time period. ICAO estimated that member cargo carrier traffic increased about 3 percent in 2006.[7]



[7] *ICAO News Release, December 21, 2006.*

Based on financial data compiled by ICAO, world air carriers (including U.S. airlines) reported an operating profit of $4.3 billion but a net loss of $3.2 billion in 2005. Since 2000, world airlines have generated cumulative operating profits of $100 million but net losses of $36.9 billion. Air carrier financial results in 2006 continued to be negatively impacted by significantly higher fuel prices. In early December, the International Air Transport Association (IATA) estimated that global airline industry losses would be $0.5 billion in 2006.[8]



Source: 2006 World Estimate: IATA, December 2006

U.S. Travel Demand

The U.S. commercial aviation industry consists of 33 mainline air carriers that use large passenger jets (over 90 seats) and 81 regional carriers that use smaller piston, turboprop, and regional jet aircraft (up to 90 seats) to provide connecting passengers to the larger carriers. Mainline and regional carriers provide both domestic and international passenger service between the U.S. and foreign destinations, although regional carrier international service is confined to border markets in Canada, Mexico, and the Caribbean. An additional 25 all-cargo carriers provide domestic and/or international air cargo service.

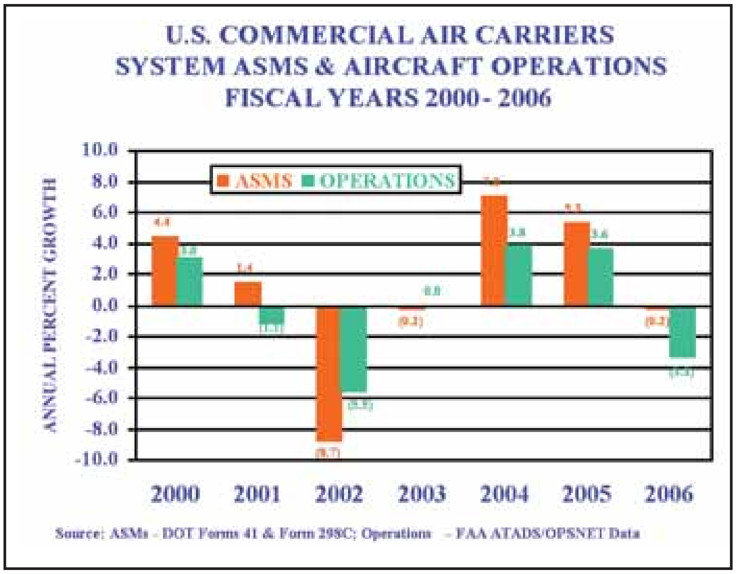
Three distinct trends have occurred over the past five years that have helped shape today's U.S. commercial air carrier industry: (1) major restructuring and downsizing among the mainline network carriers; (2) rapid growth among low-cost carriers, particularly in nontraditional long-distance transcontinental markets; and (3) exceptional growth among regional carriers.

Commercial Air Carriers—Passengers

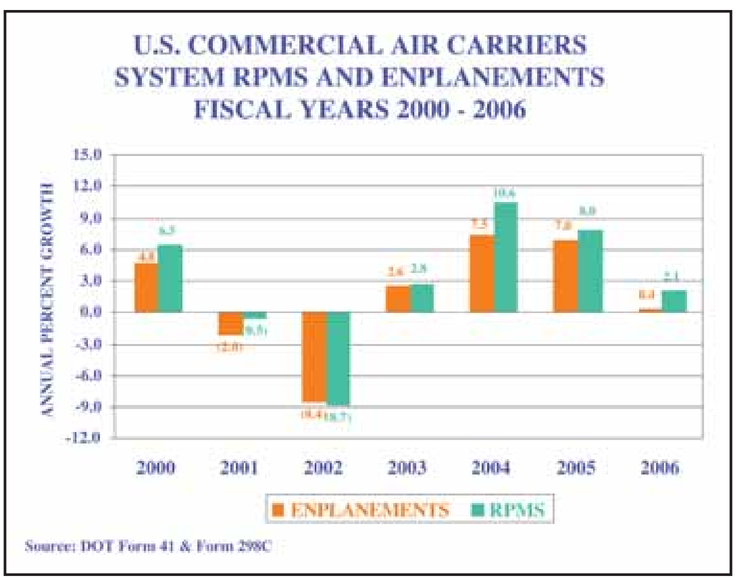
After two consecutive years of strong growth, U.S. commercial carrier system capacity and traffic (the sum of domestic and international services) grew at much slower rates in 2006. System ASMs were down 0.2 percent while system RPMs and enplanements showed gains of 2.1 and 0.4 percent, respectively. The system-wide load factor increased 1.8 points to 79.0 percent in 2006, an all-time high, and

8 *IATA Financial Forecast, December 2006*

one which would have been thought impossible to achieve as recently as the early 1990's. New distribution methods, especially the increased use of the Internet by consumers and the compression of the spread between the highest and lowest fares have led to this result.

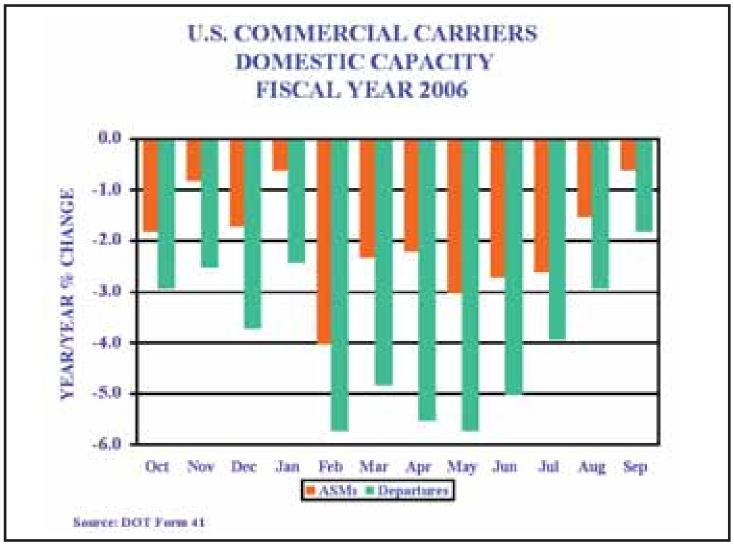


At the end of 2006, commercial air carrier enplanements exceeded pre-9/11 levels by 6.2 percent while RPMs were 13.9 percent higher than in 2000.



Domestic Passenger Markets

Domestic capacity (50 states, Puerto Rico, and the U.S. Virgin Islands) was down 2.0 percent in 2006 while the number of departures fell 4.0 percent. The fall in ASMs was a bit steeper in the second half of the year (down 2.1 percent) compared to the first half of the year (down 1.8 percent). Mainline carrier capacity was down an estimated 2.5 percent while regional carrier capacity was up 1.5 percent. At the end of 2006, domestic ASMs were just 1.9 percent above pre-9/11 levels while departures were 5.9 percent below.

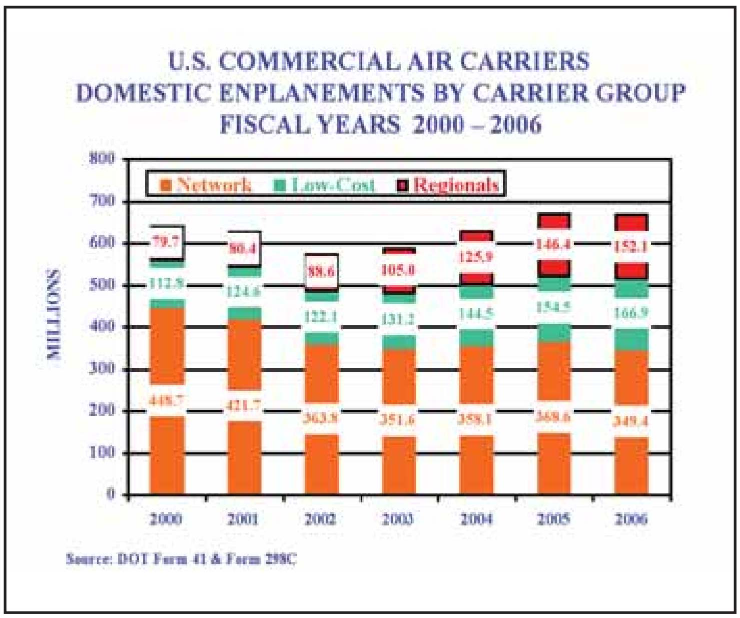


With the reductions in capacity, domestic passenger enplanements fell slightly (down 0.2 percent) in 2006 compared to 2005. Mainline carrier enplanements were down 1.3 percent while regional carrier enplanements were up 3.9 percent. Enplanements were up just 0.5 percent in the first part of the year before falling 0.8 percent in the latter half of the year.

Despite the slight decline in passengers, domestic passenger traffic grew in 2006 with domestic RPMs up 1.0 percent. Traffic growth was higher in the first half of the year, up 1.8 percent before slowing significantly to 0.2 percent in the second half. Mainline carrier RPMs were up just 0.1 percent while regional carrier RPMs were up 7.6 percent.

Domestic carrier load factor achieved an all-time high of 78.7 percent in 2006, an increase of 2.3 points over 2005 as both mainline (79.3 percent, up 2.1 points) and regional (74.1 percent, up 4.2 points) carriers achieved all-time highs.

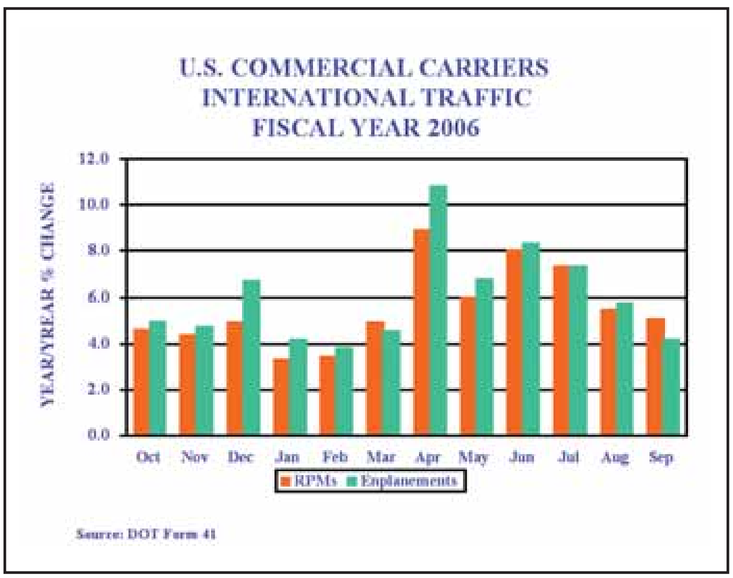
Since 2000, total domestic capacity has increased by only 1.9 percent. Network carriers have reduced their domestic capacity by 20.6 percent while low-cost carriers have increased capacity by 57.0 percent and regional carriers have increased capacity a whopping 141.3 percent. Largely due to the cuts in capacity, network carrier RPMs and enplanements fell 10.4 and 22.3 percent, respectively. During this same time period, low-cost carrier RPMs and enplanements have increased 71.1 and 47.9 percent, respectively, while regional carrier RPMs and enplanements have increased 200.2 and 91.0 percent, respectively. As a result, network carriers' share of domestic capacity has fallen from 76.7 percent in 2000 to 59.8 percent in 2006 while their share of RPMs has fallen from 77.7 to 61.3 percent. The combined domestic enplanements of the low-cost carriers and regionals have increased 65.7 percent since 2000, to 319.0 million in 2006. In 2006, their combined passenger count represented 47.7 percent of domestic commercial enplanements, up from 30.0 percent in 2000.



International Passenger Markets

U.S. carriers posted a third consecutive year of strong gains in international capacity and traffic in 2006. U.S. carrier ASMs and departures were up 5.1 and 4.0 percent, respectively, in 2006. ASM growth of 5.8 percent in the second half of the year, was slightly higher than in the first half of the year, up 4.2 percent. Strong capacity growth in the latter half of the year was driven by the Atlantic market, which grew at a pace of 9.3 percent during this period. ASMs increased in all world travel regions—up 6.7, 5.6, and 1.9 percent, respectively, in Atlantic, Latin American, and Asia/Pacific markets.

International RPMs and passenger enplanements were up 5.6 and 6.0 percent, respectively, in 2006 with faster growth recorded in the second half of the year. Latin American markets posted the strongest gains, with RPMs up 9.6 percent and enplanements up 7.8 percent, respectively. RPMs and enplanements grew by 4.9 and 3.9 percent, respectively, in Atlantic markets and by 3.2 and 5.0 percent, respectively, in Pacific markets.



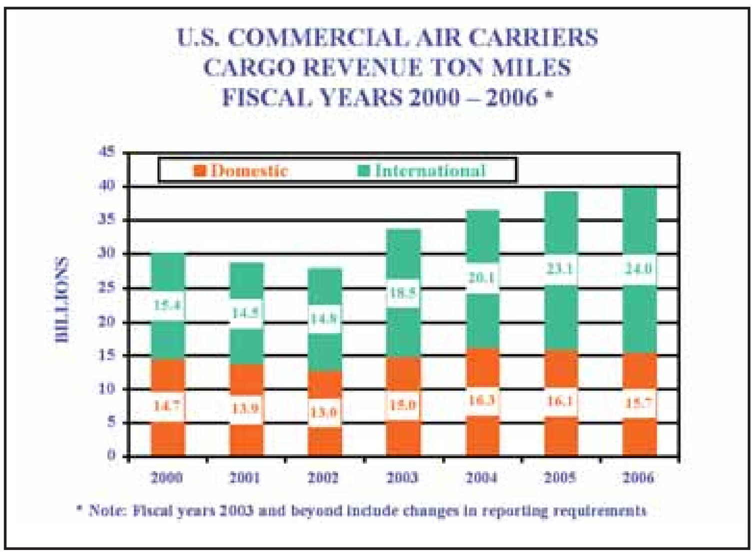
The international load factor climbed 0.4 percentage points over 2005 levels to an all-time high of 79.7 percent in 2006. Load factor increased in Latin American markets (up 2.6 points to 74.4 percent) and Pacific markets (up 1.0 point to 82.8 percent) while declining in North Atlantic markets (down 1.3 points to 81.1 percent).

In 2006, almost 50 percent of the passengers flying abroad on U.S. flag carriers traveled to the Latin American markets. The remaining 50 percent of international passengers was split between the Atlantic markets (31 percent) and the Pacific markets (19 percent).

Commercial Air Carriers—Cargo

Air cargo traffic comprises both domestic and international revenue freight/express and mail. The demand for air cargo is a derived demand resulting from economic activity. Cargo is moved in the bellies of passenger aircraft and in dedicated all-cargo aircraft, on both scheduled and nonscheduled service.

U.S. air carriers flew 39.7 billion revenue ton miles (RTMs) in 2006, up 1.2 percent from 2005. Domestic cargo RTMs (15.7 billion) decreased 2.4 percent, while international RTMs (24.0 billion) were up 3.7 percent. The decrease in domestic RTMs reflects a continuation of the modal shift from air to ground shipments and the impact of air fuel surcharges as well as a large (60 percent) reduction in RTMs by Atlas Air. The increase in international RTMs is attributable to increases in trade (e.g., Asia) and military shipments to the Middle East.



Air cargo RTMs flown by all-cargo carriers were 71.0 percent of total RTMs in 2006, with passenger carriers flying the rest, or 29.0 percent of the total. Total RTMs flown by all-cargo carriers increased 1.5 percent in 2006, from 27.8 billion to 28.2 billion. Total RTMs flown by passenger carriers were 11.5 billion in 2006 (up 0.5 percent).

Since 9/11, the FAA and the Transportation Security Administration (TSA) have issued security directives aimed at strengthening security standards for transporting cargo by air. These directives have caused the diversion of a portion of the freight and mail cargo from passenger to all-cargo carriers. In November 2004, TSA issued a notice of proposed rulemaking that applies security requirements throughout the supply chain. This rule, which became final in 2006, is likely to increase the shift in cargo share from passenger to all-cargo carriers.

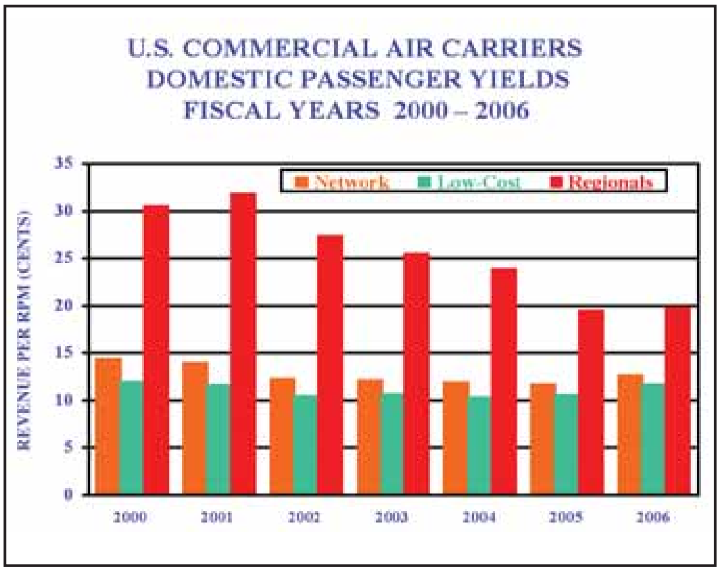
U.S. Commercial Air Carriers 2006 Financial Results

Financial results for the U.S. commercial airline industry (including regional carriers) improved in 2006, despite record high oil prices, although disparities remained between passenger and cargo carriers, and between domestic and international markets. In fiscal year 2006, U.S. commercial airlines reported an operating profit of $5.5 billion and a net loss of $200 million, the smallest since 2000. Between 2001 and 2006, the industry has posted cumulative operating and net losses of $15.3 and $37.6 billion, respectively.

Operating revenues (passenger and cargo) were up 10.7 percent in 2006, reflecting higher fares and increased cargo demand. Operating expenses were up 6.0 percent in 2006, despite the 30.4 percent increase in jet fuel prices per gallon from $1.52 to $1.98. Higher jet fuel prices are estimated to have added $8.9 billion to industry operating costs in 2006, masking the significant improvement carriers made in reducing their non fuel expenses.

In 2006, passenger carriers reported an operating profit of $2.9 billion and a net loss of $1.8 billion, respectively, while air cargo carriers, reported operating and net profits of $2.6 billion and $1.6 billion, respectively. For the first time since 2000, passenger carriers generated an operating profit ($1.5 billion) in domestic markets as international operations remained profitable ($1.4 billion). Largely due to one-time expenses associated with the bankruptcies of Delta and Northwest, passenger carriers reported a $3.0 billion net loss in domestic markets, while posting a $1.2 billion net profit in international markets. In international markets, air cargo carriers reported operating and net profits of $1.4 billion and $846.6 million. Domestic markets were profitable for cargo carriers who posted operating and net profits of $1.3 billion and $764 million, respectively.

Although the overall financial results for passenger carriers improved in 2006, there were noticeable differences between the carrier groups. The low-cost carriers reported combined operating and net profits of $911.6 million and $1.5 billion, respectively, in 2006. However, these results were skewed by the emergence of American Trans Air from Chapter 11 bankruptcy protection during the year. Excluding American Trans Air's financial results, the low-cost carriers reported operating and net profits of $822.9 and $46.9 million, respectively. Strong competition from the network carriers and high fuel prices hurt the low-cost carriers' profits. However, the reduction in capacity, especially in the intra-east coast markets, coupled with relatively strong demand, resulted in a sharp increase in domestic passenger yield. Low-cost carriers' passenger yield increased 10.3 percent in 2006 while network carriers passenger yield increased by 8.7 percent.



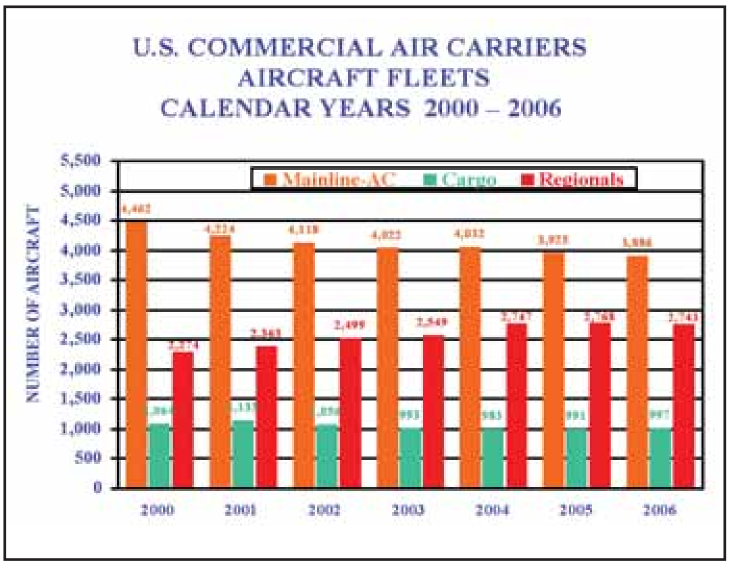
In 2006, regional carriers reported operating profits of $866.3 million, but a net loss of $114.4 million. The future of regional carriers is closely tied to the fortunes of the larger network carriers for whom they provide feed at major air carrier airports. Regional carrier domestic passenger yield increased 1.2 percent in 2006 but is down 35.1 percent since 2000. Much of the increase in 2006 reflects the increase in prorated share of the higher yields of their larger partners.

Most of the industry's financial losses are from the seven network carriers' domestic operations. These seven carriers accounted for 59.8 percent of domestic capacity and transported 49.7 percent of all domestic passengers in 2006. Since 2000, the domestic operations of the network carriers have reported combined operating and net losses of $27.9 and $36.2 billion, respectively. In 2006 alone, the network carriers' domestic operations incurred operating and net losses of $141.5 million and $4.0 billion, respectively.

U.S. Commercial Air Carriers 2006 Aircraft Fleets

Immediately following the events of 9/11 many of the mainline airlines grounded large numbers of their older, less efficient aircraft and deferred delivery of many of the new aircraft scheduled for delivery over the next several years. The industry's current weakened financial condition has dictated yet another round of restructuring and cost cutting efforts, resulting in additional aircraft being grounded and/or the deferring of additional aircraft deliveries.

The total number of aircraft in the U.S. commercial fleet (including regional carriers) is estimated at 7,626 for 2006, a decrease of 58 aircraft from 2005. This includes 3,886 mainline air carrier passenger aircraft (over 90 seats), 997 mainline air carrier cargo aircraft, and 2,743 regional carrier aircraft (jets, turboprops, and pistons).

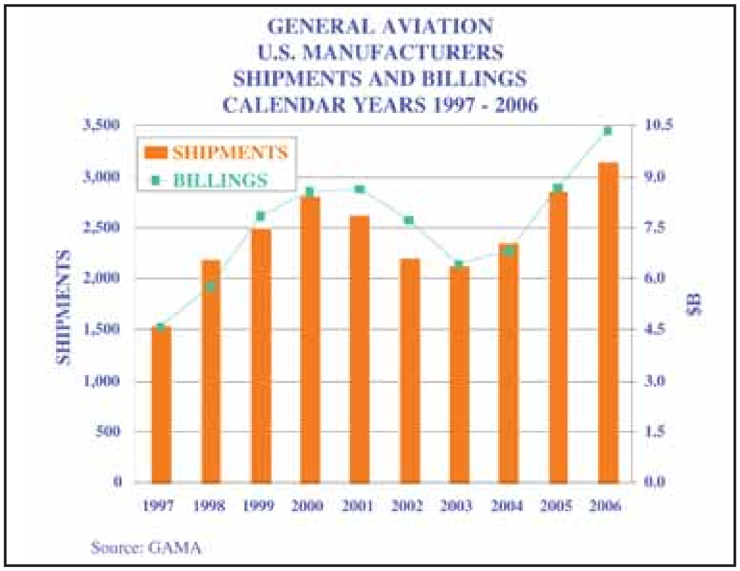


The mainline carriers' passenger jet fleet fell by 39 aircraft in 2006 as cuts at network and other non low-cost carriers offset increases in low-cost carrier fleets. The mainline carrier fleet now contains 576 fewer aircraft than in 2000.

The mainline carrier cargo fleet increased for the second year in a row, up 6 aircraft to 997 in 2006. On the other hand, the regional carrier passenger fleet has increased by 469 aircraft since 2000. During this 6-year period, 1,117 regional jets have come into to the regional carriers' fleet while the number of turboprops and pistons has declined by 648 aircraft.

GENERAL AVIATION

The General Aviation Manufacturers Association (GAMA) reported that U.S. manufacturers of general aviation aircraft shipped 3,146 aircraft during 2006. This represents an increase of 10.1 percent over 2005, and represents the third consecutive year of impressive gains. All aircraft categories shared in the recovery—jet aircraft, up 15.5 percent; piston aircraft, up 9.2 percent; and turboprops, up 6.7 percent. Billings for the period totaled $10.4 billion, up 19.6 percent compared to 2005.



The estimated shipment of 2,208 (9.1 percent increase) single-engine piston aircraft in 2006 provides further evidence the array of new aircraft models has stimulated sales in the low-end of the market.

General aviation activity at FAA air traffic facilities declined in 2006. Operations at combined FAA and contract towers dropped 3.0 percent in 2006 with declines in both itinerant and local operations. General aviation instrument activity (IFR) at combined FAA and contract towers also fell in 2006, down 2.3 percent. The number of general aviation aircraft handled at FAA en route centers decreased as well, down 1.8 percent.

The FAA uses estimates of fleet size, hours flown and, utilization from the General Aviation and Air Taxi Activity and Avionics Survey (GA Survey) as baseline figures upon which assumed growth rates can be applied. This survey has been conducted annually since 1977. Beginning with the CY2004 Survey there were significant improvements to the survey methodology. These improvements included conducting 100% samples for turboprops and turbojets, all rotorcraft, all aircraft in Alaska and all aircraft operating on-demand under Part 135. In addition, the sample design was revised to stratify by aircraft type (19 categories), FAA region (9 categories), and whether or not the aircraft was owned by an entity certified to fly Part 135 operations (2 categories). Furthermore, a large fleet reporting form was incorporated to allow owners/operators of multiple aircraft to report aggregate data for their entire fleet on a single form. In 2005 an additional aircraft category (Light Sport Aircraft) was added. The result of these changes was that the sample size nearly doubled. Between 2003 and 2005 large changes in both the number of aircraft (turbojets up by 22.8%, total rotorcraft up by 33.7%) and hours (single engine piston down by 17.6%) in many categories occurred. It is unclear whether the large changes mentioned above are due to the methodological changes described. Nonetheless, we believe that because of the methodological improvements, current estimates from the GA Survey are superior to those in the past.

Based on the latest FAA assumptions about fleet attrition and aircraft utilization along with GAMA aircraft shipment statistics, the active general aviation fleet is estimated to have increased 0.9 percent in 2006, to 226,422. General aviation flight hours are estimated to have increased 2.1 percent in 2006 to 27.5 million.

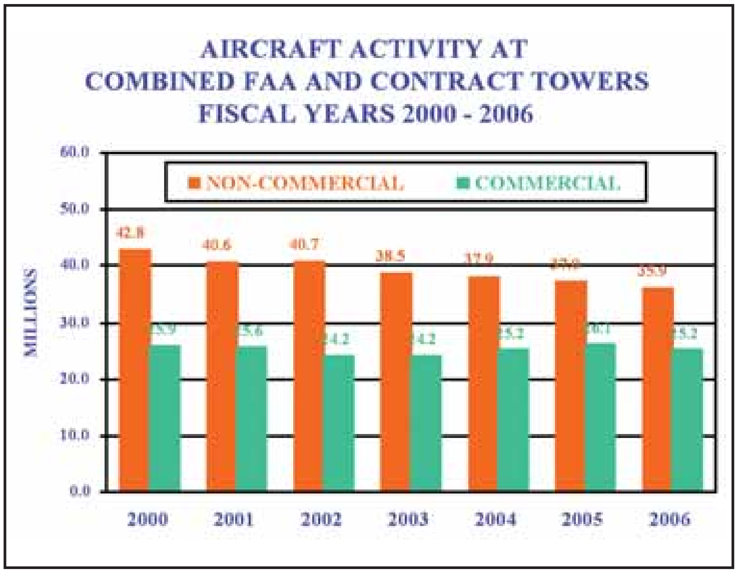
Student pilots are important to general aviation and the aviation industry as a whole. In 2006, according to statistics compiled by the FAA's Mike Monroney Aeronautical Center, the number of student pilots decreased by 2.7 percent. This is the second consecutive year of decline in this important pilot category. The industry has, over the past several years, maintained several industry-wide programs designed to attract new pilots to general aviation. The industry is trying to stimulate interest in flying, but the data suggest that more may need to be done.

FAA Workload

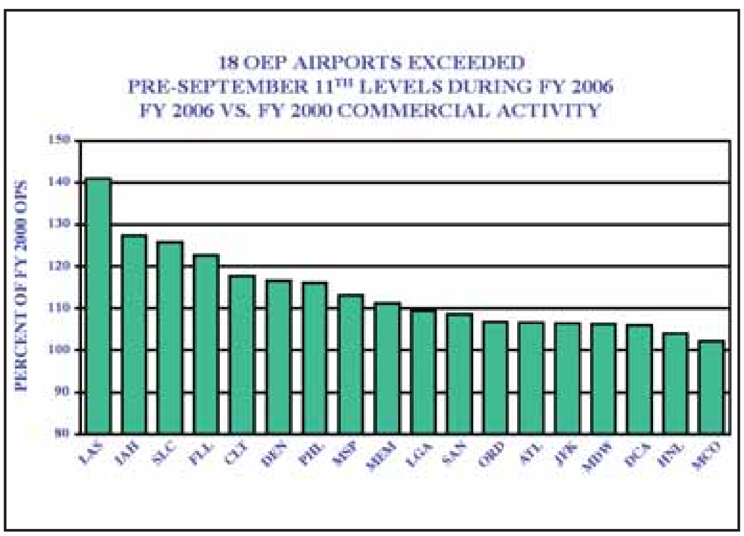
During the late 1990's, the demand for both commercial and general aviation expanded significantly resulting in the delays that plagued many U.S. commercial airports in 2000 and 2001. Passenger demand and activity at FAA air traffic facilities declined significantly following the events of 9/11. However, passenger levels have recovered and the combination of the recovery in passenger demand plus the shift in activity from larger aircraft to smaller regional jets has resulted in increased activity and delays at some U.S. airports during 2006.

Total activity at combined FAA and contract tower airports totaled 61.1 million operations in 2006, down 3.1 percent from 2005 and 11.0 percent below the peak activity level recorded in 2000. Commercial activity (the sum of air carrier and commuter/air taxi) at combined FAA and contract towers decreased 3.3 percent in 2006 with declines in both air carrier operations (down 2.0 percent) and commuter/air taxi operations (down 4.7 percent) while some of the busiest airports in the country are significantly above the activity levels of 2000. Air carrier operations at combined FAA and contract tower airports remain 12.5 percent below their peak 2000 activity level. In spite of the decline from 2005 activity levels, commuter/air taxi operations remain 11.2 percent above activity levels posted in 2000.

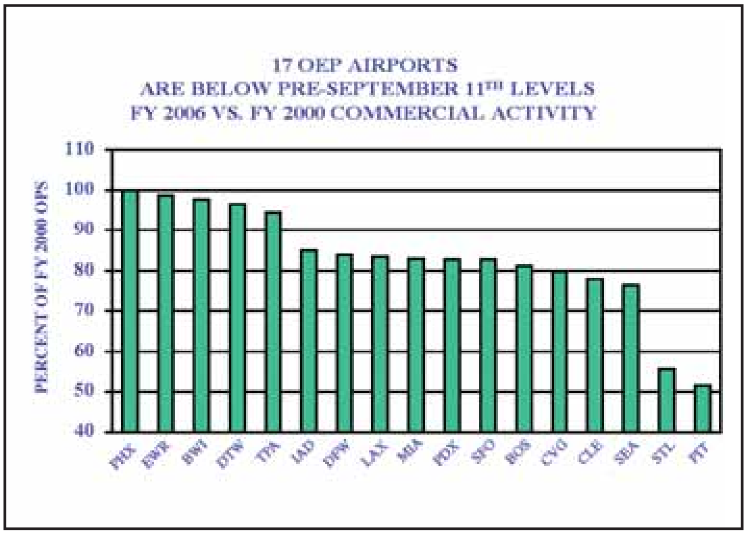
Non-commercial activity (the sum of general aviation and military) at combined FAA and contract towers fell 3.0 percent in 2006, with general aviation activity (33.1 million) down 3.0 percent and military activity (2.8 million) down 3.1 percent. At the end of 2006, non-commercial aircraft activity remains 16.0 percent below the activity in 2000.



The FAA pays close attention to the trends occurring at the 35 Operational Evolution Plan (OEP) airports. These airports are the top 35 airports in the country in terms of passenger activity and account for about 75 percent of commercial passengers. Fiscal year 2005 marked the first time since the terror attacks that commercial activity at the OEP airports exceeded pre-9/11 peak activity levels. Because of industry restructuring, combined commercial activity at these airports fell 3.4 percent from fiscal year 2005 levels, and 2.5 percent below pre-9/11 activity levels. In 2006, commercial activity at Cincinnati, Phoenix, Baltimore Washington International, Detroit (DTW) and Washington Dulles fell below 2000 peak activity levels. As result, only eighteen airports exceeded 2000 peak activity levels during fiscal year 2006, down from 23 airports during the previous year.



Reflecting the shift in demand to low-cost and regional carriers, commercial operations at Las Vegas (up 41.1 percent), Houston (up 27.3 percent), and Salt Lake City (up 25.6 percent), are up the greatest relative to their pre-September 11th activity levels. Commercial operations at St. Louis (down 44.4 percent) and Pittsburgh (down 48.4 percent) show the largest reductions from pre-9/11 levels. These activity level shifts reflect the impact of the restructuring of the airline industry and changes in hub location.



During 2006, total activity at FAA en route centers (46.2 million) was down 2.7 percent from the previous year. Commercial activity was down 3.5 percent, with air carrier and commuter/air taxi operations down 2.4 and 6.1 percent, respectively. Non-commercial activity was down just 0.6 percent in 2006 with general aviation activity down 2.0 percent and military activity up 2.4 percent. In 2006, operations for the air carrier, general aviation, and military user groups are below their 2000 activity levels, down 2.4 percent, 6.3, and 1.0 percent, respectively.